



LIQUOR
DISTRIBUTION
BRANCH

Service Plan for Fiscal Years
2013/14 – 2015/16



Service Plan for Fiscal Years
2013/14 – 2015/16

February 6, 2013

The Honourable Rich Coleman,
Minister of Energy, Mines and Natural Gas

On behalf of all of the employees of the BC Liquor Distribution Branch (LDB), I am pleased to present our service plan for fiscal years 2013/14 to 2015/16.

This plan supports our mission to be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and corporate social responsibility.

Over the next three years, the LDB forecasts it will generate \$2.6 billion in net income to government. In addition to our financial performance, the LDB's high-level goals include workplace quality and employee excellence, customer experience, business effectiveness and corporate social responsibility.

Customer service is at the core of LDB activities. To ensure customers at BC Liquor Stores are served by skilled and knowledgeable staff, the LDB continues to provide customer service and product knowledge training to staff members. To better serve the LDB's wholesale customers, improvements are being made to the website that allows those customers to order product 24/7. This year the LDB is also introducing the LEAN philosophy—a business process improvement approach that maximizes customer value while minimizing activities that do not contribute to the goals of better customer service and business effectiveness.

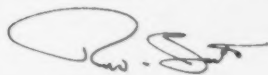
British Columbia's return to the 10 per cent PST and 5 per cent GST on beverage alcohol, beginning April 1, 2013, will reduce the LDB's net income because liquor mark-up rates are being lowered to their pre-HST levels in order to generally keep shelf prices constant. The impact of the return to PST/GST is reflected in the LDB's targets and forecasts.

On the economic front, recent government economic assumptions forecast relatively slow growth in the B.C. economy—1.7 per cent in 2013 and an average of 2.4 per cent per year in the following three years—primarily because of the continued weakness in the global economy. This uncertainty, coupled with only modest gains expected in British Columbians' disposable income, can have a negative impact on discretionary spending. The LDB will carefully monitor sales and expenses and make adjustments to our budgets as required.

Given that many of our most experienced employees will be reaching retirement age over the next three years we will continue to focus on succession management and training. We have developed a new, in-depth Essential Skills Program for aspiring and new supervisors and the Signature Leadership Program will continue to develop selected employees to become future leaders in the organization. I am confident that development of our current employees, combined with recruitment of qualified external candidates, will allow us to maintain a talented and dedicated workforce.

The 2013/14 - 2015/16 LDB Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. I am accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of January 2013 have been considered in preparing the plan. The performance measures presented are consistent with the LDB's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of the LDB's operating environment, risk assessment, forecast conditions and past performance.



Roger Bissoondatt
Acting General Manager

Table of Contents

Organization Overview	
Governance	4
Government's Letter of Expectations	5
Business of the Liquor Distribution Branch	6
Vision, Mission & Values	7
Strategic Issues	8
Risk Management	9
Objectives, Strategies & Performance Measures	
The Four Pillars Framework	11
Goal 1: Financial Performance	12
Goal 2: Workplace Quality and Employee Excellence	13
Goal 3: Customer Experience	14
Goal 4: Business Effectiveness	15
Goal 5: Corporate Social Responsibility	16
Performance Management Systems	17
Benchmarking	18
Financial Outlook	
Summary Outlook	19
Segmented Outlook	20
Contact information	21

GOVERNANCE

In British Columbia, the Liquor Distribution Branch (LDB) is one of two branches of government responsible for the beverage alcohol industry. The **Liquor Distribution Act** gives the LDB the sole right to purchase beverage alcohol both within BC and from outside the province, in accordance with the federal **Importation of Intoxicating Liquors Act**.

Reporting to the Minister of Energy, Mines and Natural Gas, the LDB:

- handles the importation and distribution of beverage alcohol in BC;
- operates government liquor stores (GLSs) and distribution centres; and
- has a General Manager who is responsible for administering the **Liquor Distribution Act**, which includes the oversight of GLSs, subject to direction from the minister.

The **Liquor Distribution Act** clarifies:

- LDB administration;
- GLS operation; and
- The role and powers of the LDB General Manager.

The LDB follows the Crown Agencies Resource Office guidelines for service plans and annual reports, and is reported out in the public accounts in a manner similar to a commercial Crown corporation, on a modified equity basis.

Another branch of the Ministry of Energy, Mines and Natural Gas — Liquor Control and Licensing Branch (LCLB) — licenses private liquor stores, restaurants, pubs and manufacturers, and enforces regulations under the **Liquor Control and Licensing Act**.

The LDB and LCLB have a shared responsibility to encourage the responsible consumption of beverage alcohol and work closely together to coordinate policies and programs to this end.

Visit www.bcldb.com and click on the **About Us** link for more about the LDB.



GOVERNMENT'S LETTER OF EXPECTATIONS

A key component of the LDB's governance framework is the Government's Letter of Expectations (GLE). The GLE is an agreement between the Government of British Columbia and the LDB that sets out the roles of each, the corporate mandate, high-level performance expectations and strategic priorities.

The GLE also provides direction from Government to the LDB to take specific actions. These specific actions from the 2013/14 GLE and the LDB's response to them are identified in the following table.

GOVERNMENT DIRECTION	LDB ALIGNMENT
Meet the LDB 2013/14 – 2015/16 Service Plan budget and performance targets, including net income.	The LDB provides monthly financial updates to Government and notifies Government on changes likely to affect the achievement of the targets.
Comply with the financial policies/guidelines provided by the Government for mark-up, taxation, the extent to which LDB may own capital assets, and LDB contributions to the Government.	The LDB complies with Government's financial policies and guidelines.
Comply with the Government's and the Liquor Control and Licensing Branch's direction to rationalize and improve the regulatory framework for the importation, distribution and retailing of beverage alcohol products in British Columbia.	The LDB complies with Government's and the Liquor Control and Licensing Branch's direction.

BUSINESS OF THE LIQUOR DISTRIBUTION BRANCH

The LDB operates a province-wide, retail/wholesale beverage alcohol business, within a mixed public-private model.

As of December 31, 2012, the LDB:

- has a workforce of approximately 3,500 full- and part-time employees;
- operates 195 GLSs throughout the province;
- operates two wholesale customer centres;
- operates two distribution centres, in Vancouver and Kamloops and;
- has a Head Office facility in Vancouver.

As part of BC's mixed-model retail system, the LDB is committed to providing customers with an enhanced shopping environment, an expansive product selection and a high level of service.

The LDB purchases beverage alcohol from more than 400 suppliers and manufacturers within the province, across the country and around the world. Licensed manufacturers in BC include 250 wineries, 67 breweries, and 13 distilleries.

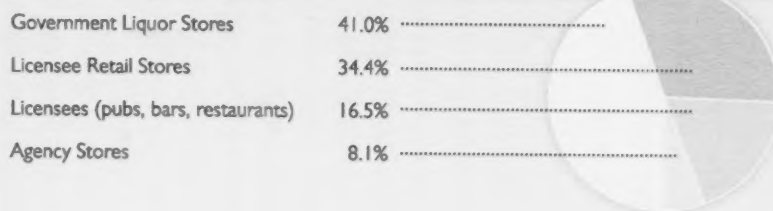
With more than 1,400 beverage alcohol retail outlets operating in BC, consumers have a variety of choices depending on their service needs, including:

- 195 GLSs (government owned-and-operated stores selling beverage alcohol to retail and wholesale customers);
- 671 licensee retail stores (LRSs – private stores licensed to sell all beverage alcohol products);
- 222 rural agency stores (RASs – general merchandise stores in rural communities authorized to sell all beverage alcohol products);
- 277 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell the products that they manufacture);
- 35 off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- 12 private wine stores; and
- 11 duty-free stores.

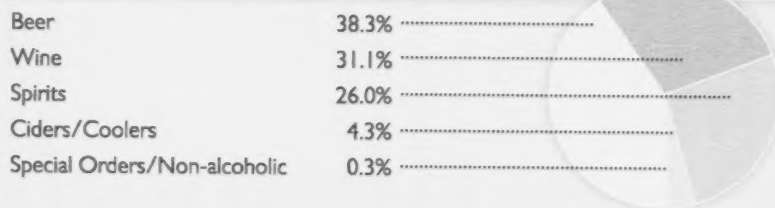
In addition to retail stores, there are approximately 8,000 bars, restaurants and other licensed on-premise establishments.

The wholesale beverage alcohol distribution model in BC includes the two government distribution centres, GLSs and a number of manufacturers and private distributors that are authorized to distribute beverage alcohol as agents of the LDB.

PERCENTAGE OF GROSS \$ SALES BY SALES CHANNEL 2011/12



PERCENTAGE OF GROSS \$ SALES BY PRODUCT CATEGORY 2011/12



Organization Overview

VISION, MISSION & VALUES

VISION

That our customers have the opportunity to discover, enjoy and share the evolving world of beverage alcohol.

MISSION

To be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and corporate responsibility.

VALUES

Exemplary Service

We take pride in the quality of our work. We strive for excellence in serving customers and coworkers.

Corporate Social Responsibility

We encourage and support the responsible use of beverage alcohol and minimize the impact of our operations on the environment.

Integrity

We take responsibility and are fully accountable for our actions, decisions and behaviour. We are open, honest and fair.

Respect

We treat all individuals with fairness, dignity and respect.

Teamwork

We support one another to achieve corporate goals.

Innovation

We encourage our people to find innovative and creative ways to improve our business.

ECONOMY

Recent government economic assumptions forecast relatively slow near-term growth for the British Columbia economy, primarily because of continued weakness in the global economy—1.7 per cent in 2013 and an average of 2.4 per cent per year in the following three years. It is also expected the personal disposable income of British Columbians will grow only modestly in the medium-term. Beverage alcohol is a discretionary consumer product and sales are affected by economic conditions and the level of discretionary income. Therefore, it is anticipated LDB sales will follow the trend of modest increases during the next three years. The LDB will closely monitor sales and expenses and make adjustments to forecasts and budgets as necessary.

CUSTOMER SERVICE

The quality of customer service is a key factor in the success of a retailer and wholesaler in today's marketplace. The LDB is focussed on offering retail and wholesale customers the best possible experience.

On the retail side, BC Liquor Stores staff continue to receive customer service and product knowledge training to ensure they can respond to the needs of customers. To meet the modern retail customer's expectations the LDB will be remodelling additional stores and completing minor renovations in others, as well as introducing WiFi in the store environment and building on the success of BC Liquor Stores' mobile apps.

On the wholesale side of the business, the LDB will continue to improve the 'Webstore' application which allows private liquor stores and licensed establishments to order the products they need 24-hours per day, seven days per week in a simple, interactive and secure way.

HUMAN RESOURCES

The LDB's success is dependent on the quality of our employees. With this in mind, the LDB values learning and development and strives to offer professional training programs that help our employees reach their full potential. An in-depth Essential Skills Program is being developed for aspiring and new supervisors to assist them in honing the skills that are essential to being effective. The Signature Leadership Program will continue to be offered to selected employees with leadership potential to help them enhance and expand their skill set in preparation for assuming more responsibility within the organization.

The LDB has a high percentage of long-service employees, many of whom will be eligible for retirement within the next three years. Employee development efforts and recruitment of qualified external candidates will enable the LDB to maintain a talented, dedicated workforce.

BUSINESS EFFECTIVENESS

The effective use of information technology is an important factor in the success of the LDB. Work continues on a liquor forecasting and replenishment system, that when completed, will improve the management of inventory and reduce the occurrence of product stock-outs. Planning for an upgrade of the cash register software in BC Liquor Stores that will enhance customer service capabilities and improve workflow within the stores is also moving forward. Information Services is a dynamic, fast-changing field and staff will continue to respond to shifting business priorities.

Effective business processes are also a key to a successful organization. The LDB is implementing the LEAN business process improvement methodology, which is also being adopted by the larger public sector. This methodology encourages innovation and will support the LDB's efforts to continually improve customer service and its business effectiveness.

CORPORATE SOCIAL RESPONSIBILITY

Minimizing access to alcohol by minors is always a priority for the LDB. Store staff is well-trained and stringent ID checking procedures are in place. The LDB also partners with school districts throughout the province in the 'Support Dry Grad' campaign which collects customer donations that help fund local high school alcohol-free graduation celebrations. In addition, the LDB actively encourages customers to use beverage alcohol products responsibly through effective in-store educational materials and will continue to do so. The LDB is also committed to reducing its environmental footprint and will continue to look for ways to further minimize the environmental impact of operations.

The LDB Executive Management Committee meets monthly to discuss service plan performance, risks and mitigating strategies.

In view of the uncertainty of the economic climate, the LDB is closely monitoring its financial performance and budgets in order to mitigate financial risks.

The LDB regularly updates its Enterprise Wide Risk Assessment and has a number of projects in progress to mitigate identified business and technology risks.

RISK FACTORS AND SENSITIVITIES		MITIGATING STRATEGIES
ECONOMY	Beverage alcohol is a discretionary consumer product and sales are affected by changes in economic conditions.	The LDB will carefully monitor its sales and expenses and will make adjustments to its operations and budgets as necessary.
INFORMATION TECHNOLOGY	The upgrading of information systems is key in the delivery of efficient and effective services to the LDB's customers. The replacement of older, difficult-to-maintain systems with new systems creates challenges in ensuring integration of applications and ensuring accurate information.	The LDB is replacing older systems on a scheduled basis and is working to improve the overall integration of systems.
RECRUITING AND RETENTION OF EMPLOYEES	The LDB is expecting a large number of long-service employees to retire in the next three years.	The LDB has a focus on succession management in order to support the career development of employees within the organization and recruit qualified individuals from outside the organization.



Objectives, Strategies & Performance Measures

Objectives, Strategies & Performance Measures

THE FOUR PILLARS FRAMEWORK

The LDB organizes its strategic priorities and key objectives around the concept of four pillars. All four pillars support financial performance, and at the foundation are the LDB's dedicated employees.



HIGH-LEVEL GOALS

GOAL 1	GOAL 2	GOAL 3	GOAL 4	GOAL 5
Financial Performance Meet financial objectives approved by government.	Workplace Quality and Employee Excellence Create a work environment that encourages greater employee engagement.	Customer Experience Maintain a high level of wholesale and retail customer satisfaction.	Business Effectiveness Maintain operating efficiencies in a climate of constant change.	Corporate Social Responsibility Encourage and support the responsible use of beverage alcohol and minimize the impact of operations on the environment.

GOAL 1		STRATEGY			
FINANCIAL PERFORMANCE		Meet financial objectives approved by government.	1. Grow sales and effectively manage operating expenses		
Performance Measures	Actual	Forecast	Targets		
IN MILLIONS \$	FISCAL 2011/12	FISCAL 2012/13	FISCAL 2013/14	FISCAL 2014/15	FISCAL 2015/16
1.1 Net income	911.1	906.1	850.9	860.4	868.5
\$1,100					
\$1,000					
\$900					
\$800					

PERFORMANCE MEASURE DESCRIPTION

1.1 Net income – Net income is the contribution made to the provincial government by the LDB from the total sales of beverage alcohol in the province and is audited by the BC Auditor General. LDB net income is a significant contributor to provincial government revenues.

SIGNIFICANT CHANGES FROM THE SERVICE PLAN FOR FISCAL YEARS 2012/13 – 2014/15

British Columbia is returning to a PST/GST sales tax regime on April 1, 2013, and as a result, provincial sales tax on liquor products will increase by 3 per cent. To generally keep shelf prices of liquor products constant, the LDB will reduce its mark-ups to pre-HST levels. This reduction in LDB mark-ups will reduce LDB net income that is transferred to the provincial government. However, total provincial revenue from the sale of liquor will not decline because the reduced contribution from the LDB will be offset by the increase in sales tax revenue.

GOAL 2		STRATEGIES			
WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE	Create a work environment that encourages greater employee engagement.	1. Enhance staff skills and engagement through management development, employee training and increased communication 2. Implement succession management plans for the organization 3. Provide a safe, healthy and harassment-free workplace			
	Performance Measures	Actual	Forecast	Targets	
		FISCAL 2011/12	FISCAL 2012/13	FISCAL 2013/14	FISCAL 2014/15
				FISCAL 2015/16	
2.1 Employee Engagement	69	N/A	70	N/A	70
80					
70					
60					

PERFORMANCE MEASURE DESCRIPTION

2.1 Employee engagement – Employee engagement is a measure of employees' level of commitment to, and satisfaction with, their job and the organization. The LDB's employee engagement score is based on an annual Workplace Environment Survey (WES) conducted for the LDB by BC Stats every two years. The WES asks a number of questions about the work environment and the results are summarized into a single engagement score. The LDB believes that its target WES score of 70, on balance, reflects a healthy work environment.

GOALS		STRATEGIES			
CUSTOMER EXPERIENCE		Maintain a high level of wholesale and retail customer satisfaction.	1. Continuously refresh the store network 2. Continuously provide enhanced customer services		
Performance Measures		Actual	Forecast	Targets	
		FISCAL 2011/12	FISCAL 2012/13	FISCAL 2013/14	FISCAL 2014/15
3.1 Retail customer satisfaction		N/A	90%	N/A	90%
100%					
90%					
80%					
3.2 Wholesale customer satisfaction		N/A	85%	N/A	90%
100%					
90%					
80%					

PERFORMANCE MEASURE DESCRIPTION

3.1 Retail customer satisfaction – The retail customer satisfaction rating is determined through a survey of a sample of BC Liquor Store retail customers conducted by a professional survey company. This survey is conducted once every two years so that customers have an adequate amount of time to experience LDB service initiatives which often take more than one year to fully implement. A survey was conducted in 2012/13 and the next survey will be conducted in 2014/15. Due to the importance of customer service to the LDB's success, a target of 90 per cent has been set.

3.2 Wholesale customer satisfaction – The wholesale customer satisfaction rating is determined through a survey of a sample of wholesale customers (bars, restaurants and private retailers) conducted by a professional survey company. This survey is conducted once every two years so that customers have an adequate amount of time to experience LDB service initiatives which often take more than one year to fully implement. A survey was conducted in 2012/13 and the next survey will be conducted in 2014/15. Due to the importance of customer service to the LDB's success, a target of 90 per cent has been set.

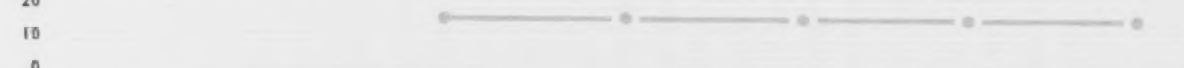
GOALS		STRATEGIES			
BUSINESS EFFECTIVENESS		Maintain operating efficiencies in a climate of constant change.	1. Maximize the potential efficiencies available through improved distribution operations 2. Increase the use of current and cost effective technology		
Performance Measures		Actual	Forecast	Targets	
		FISCAL 2011/12	FISCAL 2012/13	FISCAL 2013/14	FISCAL 2014/15
4.1 BC Liquor Store sales per sq. foot		\$1,262	\$1,286	\$1,278	\$1,303
\$1,400 \$1,300 \$1,200					
4.2 Distribution Centre labour cost per case shipped		\$1.74	\$1.74	\$1.74	\$1.74
\$1.80 \$1.75 \$1.70					
4.2 Distribution Centre line fill rate		93%	93%	93%	93%
100% 90% 80%					

PERFORMANCE MEASURE DESCRIPTION

4.1 BC Liquor Stores sales per square foot – This measure is based on the annual dollar sales of the store system divided by total store system square footage and is an indicator of how well the LDB converts its store floor space into sales. Wholesale Customer Centre sales are excluded. The targets reflect the LDB's efforts to increase the productive use of its store space.

4.2 Distribution Centre labour cost per case shipped – This productivity measure is calculated by dividing total Distribution Centre labour expenses by total case shipments. The targets reflect the LDB's efforts to gain operational efficiencies because despite rising labour costs as a result of a new collective agreement the target remains at \$1.74 per case shipped.

4.3 Distribution Centre line fill rate – This is a measure of the completeness of orders filled by LDB Distribution Centres and is calculated by dividing the number of ordered items that are filled completely by the total number of items ordered. The calculation excludes products that are not stocked by LDB Distribution Centres. The LDB believes the target of 93 per cent is the appropriate balance between the effective management of inventory and the minimization of product stock-outs.

GOAL 5		STRATEGIES						
CORPORATE SOCIAL RESPONSIBILITY	Encourage the responsible use of beverage alcohol and minimize the impact of operations on the environment.	1. Prevent sales to minors or intoxicated persons in BC Liquor Stores through staff education and enforcement of ID-checking requirements 2. Promote awareness of responsible use by continuing co-operative programs with suppliers and other stakeholders 3. Reduce the impact of operations on the environment						
		Performance Measures		Actual	Forecast	Targets		
				FISCAL 2011/12	FISCAL 2012/13	FISCAL 2013/14	FISCAL 2014/15	FISCAL 2015/16
		5.1 Store compliance with ID-checking requirements		96%	94%	100%	100%	100%
								
		5.2 Customer awareness of LDB corporate social responsibility programs		N/A	90%	N/A	90%	N/A
								
		5.3 Plastic shopping bags (millions)		16.1	15.8	15.5	15.2	14.9
								

PERFORMANCE MEASURE DESCRIPTION

5.1 Store compliance with ID-checking requirement – The legal age to purchase liquor in British Columbia is 19. In fiscal 2011/12 the Liquor Control and Licensing Branch (LCLB) implemented an ID-checking program for government and private liquor stores that uses underage agents to test compliance. The LDB uses LCLB's compliance statistics for this measure. The target of 100 per cent reflects the importance to the LDB of preventing sales to minors.

5.2 Customer awareness of LDB corporate social responsibility programs – The LDB places posters and other promotional materials in its stores that encourage the responsible use of beverage alcohol. The themes, such as the prevention of drinking and driving or underage drinking, change every month. The LDB measures customer recall of these promotional materials through the same customer survey the LDB uses to rate its retail customer satisfaction (see performance measure 3.1). This survey is conducted every two years. The target of 90 per cent was set to ensure that the LDB strives to develop impactful and relevant messaging that catches the attention of customers.

5.3 Plastic shopping bag reduction – The LDB has a program to reduce the number of plastic shopping bags that are issued to customers. This program encourages customers to use re-usable bags or to take their purchases without a bag. The targets reflect the LDB's ongoing efforts to change customer behaviour.

Objectives, Strategies & Performance Measures

PERFORMANCE MANAGEMENT SYSTEMS

The following information summarizes the source and accuracy of the data used for the service plan performance measures.

SALES DATA (PERFORMANCE MEASURES 1.1 AND 4.1)

Sales data for government liquor stores (GLSs) is collected from computerized point-of-sale cash register systems and stored in head office databases. Sales made directly to customers by agents on behalf of the Liquor Distribution Branch (LDB) are transmitted to the LDB and stored in databases. LDB financial statements are audited by the Office of the Auditor General annually.

EXPENSE DATA: (PERFORMANCE MEASURES 1.1 AND 4.2)

LDB expense data is captured, stored and reported by the LDB's financial system. The LDB's financial statements are audited by the Office of the Auditor General.

EMPLOYEE AND CUSTOMER SURVEYS (PERFORMANCE MEASURES 2.1, 3.1, 3.2, 5.2)

BC Stats conducts the employee engagement survey for the LDB. The LDB contracts with professional survey companies to conduct the retail and wholesale customer satisfaction surveys.

DISTRIBUTION DATA (PERFORMANCE MEASURES 4.2, 4.3)

Orders and shipments processed the by LDB distribution centers are captured and stored by computer applications designed for this purpose.

ID-CHECKING (PERFORMANCE MEASURE 5.1)

LCLB administers an ID compliance checking program and provides the results of LDB store compliance to the LDB.

PLASTIC SHOPPING BAG REDUCTION (PERFORMANCE MEASURE 5.3)

Plastic shopping bag usage by the LDB is determined from purchasing records.

Objectives, Strategies & Performance Measures

BENCHMARKING

In 2012, the LDB benchmarked itself against a number of other organizations including: four provincial liquor boards; three non-Canadian government liquor authorities; two private distribution organizations and two private retailers. A total of 15 different measures were compared and results from the four that are most relevant to the LDB are shown below.

There are important differences in the operations and mandate of the LDB compared to most of these organizations and this affects their comparability. The LDB's relative performance to these organizations is shown below. Certain performance measures were only relevant to a selection of the organizations.

Performance Measures	2012 Ranking		Number of Comparable Entities
	WORST	BEST	
Operating Costs as a Percentage of Total Sales		LDB	11
Net Income as a Percentage of Total Sales	LDB		10
GLS Sales per GLS FTE		LDB	6
Distribution Centre cost per case	LDB		5

Operating Costs as a Percentage of Total Sales

This measure indicates the overall operational efficiency of an organization and represents the per cent of each sales dollar that is used for operating costs.

Net Income as a Percentage of Total Sales

This is a measure of the overall health and profitability of an organization, and represents the per cent of each sales dollar that is generated for government in the case of public liquor authorities such as the LDB, or to shareholders in the case of private companies.

GLS Sales per GLS FTE

This is a measure of productivity of government liquor store employees. FTE stands for "Full Time Equivalent" and is equal to one person-year of employment.

Distribution Centre Cost per Case

This measures how cost effective distribution centres are on a volume basis.

SUMMARY OUTLOOK

In millions \$	ACTUAL	FORECAST	TARGETS		
	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14	Fiscal 2014/15	Fiscal 2015/16
Total Sales	2,889.9	2,922.1	2,891.3	2,932.9	2,975.3
Commissions & Discounts	187.6	187.2	183.3	185.9	188.6
Cost of sales	1,510.8	1,531.6	1,557.0	1,581.9	1,607.2
Operating Expenses - Employment	164.3	166.1	164.4	164.4	164.4
Operating Expenses - Rent	37.0	37.8	38.5	39.3	40.1
Operating Expenses - Administration	89.7	101.8	104.4	108.5	114.0
Other income	10.6	8.5	7.2	7.5	7.5
Net income	911.1	906.1	850.9	860.4	868.5
Capital	19.0	21.7	22.7	22.6	27.3
Debt	0.2	0.1	0.0	0.0	0.0
Retained Earnings	0.0	0.0	0.0	0.0	0.0

KEY FORECAST ASSUMPTIONS

Forecast assumptions, based on market trends by product categories and the elimination of the HST, include a sales decrease of 1.1 per cent in fiscal 2013/14, a sales increase of 1.4 per cent in fiscal 2014/15 and a sales increase of 1.4 per cent in 2015/16.

The sales decrease in fiscal 2013/14 is a result of a reduction in LDB product mark-ups associated with the re-introduction of the PST/GST on April 1, 2013. This loss in revenue will be partially offset by inflation, in the form of expected supplier cost increases. Sales increases in 2014/15 and 2015/16 are also due to an expected supplier cost increase. Net income for fiscal 2012/13 is expected to exceed the forecast made in the previous Service Plan because of measures taken to decrease expenditures which included not immediately filling vacant positions and the delay of capital spending that has reduced amortization and consulting expenses. These measures have also been carried forward to 2014/15 and 2015/16. The LDB continues to look for opportunities to enhance its revenue targets and will incorporate those into operations during the year.

Capital requirements reflect expenditures for updating and improving stores, technology-related projects and ongoing equipment replacements.

FORECAST RISKS AND SENSITIVITIES

Beverage alcohol is a highly regulated product and its consumption can be influenced by government decisions such as hours of operation of establishments that sell or serve liquor products and drinking and driving laws, to name just two. These types of policy decisions can have a significant impact on LDB revenue. The LDB's financial performance is also affected by price competition amongst suppliers of wine, spirits and refreshment beverages because mark-ups on these products are percentage based, meaning a reduction in the supplier price will result in less LDB revenue, assuming a constant volume. Beverage alcohol is also a discretionary consumer product and sales are negatively affected by poor economic conditions—consumer confidence dictates the level of entertainment dollars spent on beverage alcohol. Weather patterns and timing of statutory holidays are other factors that influence LDB revenue. A hot dry summer and long weekends result in increased sales, particularly in the refreshment beverages and packaged beer categories.

Financial Outlook

Conversely, adverse weather conditions have a negative impact on liquor sales. The day of the week statutory holidays fall on also have an impact on sales—when they are on a Monday or Friday sales are much stronger than when they are on a Tuesday or Wednesday. The LDB monitors all of these factors, using the best information available, to ensure sound decisions are made regarding such things as product mix and supply and the staffing compliment required in our retail store locations.

COST OF GOODS SOLD

- Each percentage change in the cost of products in the wine, spirits and refreshment beverage categories has a direct affect on net income of approximately \$7.8 million due to the percentage-based mark-up on these products.

MARKET SHARE

- Each percentage change in market share for government liquor stores affects net income by \$3.9M.

SEGMENTED OUTLOOK

The LDB has two types of operations based on customer type—retail and wholesale. Retail operations includes sales from BC Liquor Stores (GLS) to retail customers. Wholesale operations include sales from the LDB's Wholesale Customer Centre, GLSs, and from authorized BC manufacturers and private distributors. The LDB uses an Activity-Based Costing Analysis to allocate expenses between the two operations and this analysis is updated annually. The segmented information provided below allocates the Summary Financial Outlook from the previous page into the retail and wholesale operations.

WHOLESALE OUTLOOK	ACTUAL	FORECAST	TARGETS		
In millions \$	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14	Fiscal 2014/15	Fiscal 2015/16
Total sales	1,704.2	1,722.8	1,704.9	1,729.5	1,754.5
Commissions & Discounts	187.6	187.2	183.3	185.9	188.6
Cost of Sales	951.8	953.5	985.1	1,001.8	1,018.7
Operating Expenses	92.0	98.7	99.3	100.8	102.9
Other Income	5.3	4.2	3.6	3.7	3.7
Net Income	478.1	487.6	440.7	444.6	447.9

RETAIL OUTLOOK	ACTUAL	FORECAST	TARGETS		
In millions \$	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14	Fiscal 2014/15	Fiscal 2015/16
Total Sales	1,185.7	1,199.3	1,186.5	1,203.5	1,220.8
Cost of Sales	559.0	578.1	571.9	580.1	588.5
Operating Expenses	199.0	207.0	208.0	211.4	215.6
Other Income	5.3	4.3	3.6	3.8	3.8
Net Income	433.0	418.5	410.2	415.8	420.6

Contact Information

For more information about the Liquor Distribution Branch, please contact the LDB Communications Department:

Phone: 604-252-3029

Email: communications@bcldb.com

Mail: 2625 Rupert Street, Vancouver BC V5M 3T5

The British Columbia Liquor Distribution Branch Service Plan for Fiscal Years 2013/14 – 2015/16 is available online at www.bcldb.com.

www.bcladb.com

